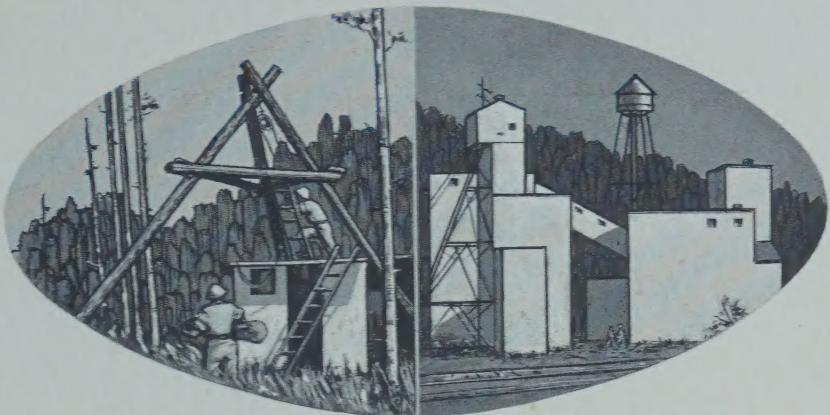


Barnat Mines Ltd.

AR50

NO PERSONAL LIABILITY



ANNUAL REPORT

for the year ended December 31, 1966

Ditto!

ASSOCIATE



LITTLE LONG LAC GOLD MINES LIMITED



This symbol has been selected to represent Canada's Centennial of Confederation in 1967—literally Canada's National 100th birthday symbol. This is an ingenious design of eleven equilateral triangles arranged together into a symbolic Maple Leaf, representing the ten provinces and the Canadian Northern Territories.

**Barnat
Mines
Ltd.**

(NO
PERSONAL
LIABILITY)

OFFICERS

ROBERT C. STANLEY, JR.	- - - - -	<i>President</i>
JOHN C. L. ALLEN	- - - - -	<i>Vice-President</i>
T. V. NETHERY, P.Eng.	<i>Vice-President — Operations</i>	
	<i>and General Manager</i>	
MISS B. A. ARGO	- - - - -	<i>Secretary</i>
D. M. LORIMER	- - - - -	<i>Comptroller</i>

DIRECTORS

JOHN C. L. ALLEN
B. A. ARGO
PETER A. ALLEN, P.Eng.
P. K. HANLEY
ROBERT C. STANLEY, JR.

TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY
Toronto, Ontario and Montreal, Que.

AUDITORS

GUNN, ROBERTS AND CO.
Toronto, Ont.

EXECUTIVE OFFICE

Suite 400, 112 King Street West, Toronto, Ont.

Report of the Directors

To the Shareholders

Your Directors present the Annual Report and Financial Statements for the year ended December 31st, 1966, together with the Auditors' Report thereon.

It will be noted in reading the Report of the Mine Manager and the Financial Statements that the total operating expenditures were approximately the same in 1966 as compared to 1965 but with the lesser tonnage treated, the Operating Profit was reduced to \$168,454 from \$321,460 the previous year. The grade of ore treated in 1966 continued to be low and was identical to that of the preceding year. With costs, mainly for wages, continuing to rise, the Mine Staff are to be commended for maintaining the operation on a profitable basis.

WASAMAC MINES LIMITED in which your Company holds the dominant interest (907,338 shares and \$2,600,000 Income Debentures) continues to respond to development. Late in 1966, Wasamac acquired the property and assets of Francoeur Mines Limited. Francoeur is now designated as the Wasamac No. 2 Shaft. A complete mining plant and service installations have been erected and shaft sinking is scheduled to commence on or about April First. Ore from the Wasamac No. 2 Shaft will be trucked to and treated in that company's mill. A copy of the 1966 Annual Report of Wasamac Mines Limited is being mailed to Barnat shareholders under separate cover.

The Directors wish to express their appreciation to Mr. T. V. Nethery, P.Eng., Vice-President in Charge of Operations, Mr. Roger Plasse, P.Eng., Mine Manager, the Staff and all Employees for their loyal and efficient services during the year.

Respectfully submitted,

On behalf of the Board,

ROBERT C. STANLEY, JR.,

March 30, 1967.

President.

Report of the Mine Manager

Norrie, Quebec,
February 14, 1967.

The President and Board of Directors,
Barnat Mines Ltd.,
Suite 400, 112 King Street West,
Toronto 1, Ontario.

Dear Sirs:

This report covering the operations of the Company for the year ended December 31, 1966 is herewith submitted.

PRODUCTION

A total of 485,498 tons were milled during the year 1966 for an average of 1,330 tons per day. This total was made up of 233,091 tons which were shipped to Malartic Gold Fields mill for treatment and 252,407 tons processed at the Barnat plant.

Bullion recovery comprised 48,994.594 ounces of gold and 4,902.099 ounces of silver. Total recovery was 95.57%.

The gross value of production was \$1,854,688.49 and total operating revenue after including \$480,878.01 estimated E.G.M.A. was \$2,335,566.50 or \$4.811 per ton milled.

As in the past year, a Production Record table containing complete comparative figures from the beginning of the company is included in this report.

DEVELOPMENT

Development on the levels for exploration purposes was down about 33% with drifting and crosscutting amounting to 1,749 feet as compared to 2,556 feet in 1965. The exploration program for the current year 1967 amounts to about 2,500 feet or about 50% more than in 1966. During 1966 the main development drives were 19-30 North Crosscut, 19-31 East Drive and 17-20 South Crosscuts with 254 feet, 259 feet and 344 feet advances respectively.

Stope preparation was down about 16% with a total of 2,579 feet in mining drifts, sub-drifts, crosscuts and stope raises. Sub drifting and crosscutting totalled 1,611 feet and raising 968 feet whereas, in the 1965 stope preparation, these figures were 1,383 and 1,600 feet respectively.

Long hole drilling increased from 79,650 feet to 122,477 feet. About 50,000 feet of long hole drilling is scheduled for 1967.

Diamond drilling was increased substantially. During 1966 underground drilling amounted to 58,212 feet as against 45,644 feet in 1965.

ORE RESERVES as at December 31st, 1966

	Tons	Gold Valued at \$35.00/oz.	Grade
Positive Ore	680,593	\$ 4.55	(.130 oz.)
Indicated Ore	244,297	3.85	(.110 oz.)
TOTAL ORE RESERVES	924,890	\$ 4.34	(.124 oz.)

EXPLORATION

The East drift on the 1875 foot level was advanced 260 feet during the year and used as a base for the diamond drilling of No. 7 porphyry zone. From this drift a crosscut was driven South a distance of 143 feet on the 4450E. section for further exploration purposes. An ore zone within the porphyry mass from the 1800 foot elevation down to 2,175 feet indicated 221,600 tons having a value of .109 ozs. (\$3.82) per ton.

Test drilling of the downward extension of No. 6 porphyry body which is below the bottom level and adjacent to the Shaft indicated 714,963 tons at 0.093 ozs. (\$3.25) per ton. In order to mine this material the shaft must be deepened another 650 feet. A thorough study of all the details will be conducted before any consideration is given to such a project.

Detailed drilling of 17-20 and 19-20 diorite lenses in the Sladen North zone proved these two lenses to be of very good grade.

Test drilling the downward extension of 3-23 porphyry zone on the National South Zone, started in 1965 was completed during the year. The zone contained 178,486 tons at .071 ounce/ton.

GENERAL

The total amount paid out in 1966 in wages and salaries including Workmen's Compensation, Unemployment Insurance and other employee benefits amounted to \$929,184.

The average total working force was 192 compared to 191 in 1965.

A new three year labour agreement with the United Steelworkers of America was signed on December 27th, 1966. Additional base wages, introduction of the 40-hour work week after one year and extra fringe benefits will increase costs appreciably, imposing a serious hardship on future operations.

In closing, I wish to express my thanks to the Directors and Officers of the company, particularly Mr. T. V. Nethery, vice-president in charge of operations and general manager, for their helpful support and advice and to the Department Heads, Supervisory Staffs and the employees for their continued loyalty and effort.

Respectfully submitted,

ROGER PLASSE, P.Eng.,
Mine Manager.

BALANCE SHEET -

ASSETS

	1965 for Comparison
CURRENT ASSETS	
Cash	\$ 27,088 \$ 13,018
Short term deposits	415,000 332,000
Bullion at net realizable value	147,310 176,737
Accounts receivable	877 2,273
Receivable from an associated company	— 58,000
Amount receivable under the Emergency Gold Mining Assistance Act	217,498 150,933
Claim for refund of taxes	9,356 13,867
Prepaid expenses	18,963 31,791
Supplies at average cost	59,198 64,018
	<hr/> 895,290 <hr/> 842,637
INTEREST IN OTHER COMPANIES	
Subsidiary Company (note 1)	
Shares at cost	37,497 37,497
Advances	4,753 5,621
Associated Company	
Shares at cost (quoted market value 1966 \$952,700; 1965 \$1,355,000)	518,726 457,845
Income debentures at cost	2,500,000 2,500,000
Advances	76,271 27,056
	<hr/> 3,137,247 <hr/> 3,028,019
FIXED ASSETS	
Building, machinery and equipment at cost	2,553,469 2,544,439
Less accumulated depreciation	2,239,116 2,156,116
	<hr/> 314,353 388,323
Mining properties at cost less sales proceeds	326,948 324,712
	<hr/> 641,301 713,035
OTHER ASSETS AND DEFERRED CHARGES	
Operating expenditures deferred	11,032 3,673
Special refundable tax	10,168 —
	<hr/> 21,200 3,673
	<hr/> \$4,695,038 \$4,587,364

AUDITORS' REPORT

We have examined the balance sheet of Barnat Mines Ltd. (No Personal Liability) as at December 31, 1966 and the statements of income and retained earnings, and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
February 16, 1967.

DECEMBER 31, 1966

LIABILITIES

		1965 for Comparison
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 115,280	\$ 103,683
Tax payable	—	11,183
Payable to associated companies	23,087	27,375
Payable to East Malartic Mines Limited — parent company ..	<u>51,468</u>	<u>49,424</u>
	<u>189,835</u>	<u>191,665</u>

SHAREHOLDERS' EQUITY

Capital stock

Authorized — 5,000,000 shares of \$1 each		
Issued — 3,900,000 shares	3,900,000	3,900,000
Less discount on shares	<u>3,197,510</u>	<u>3,197,510</u>
	702,490	702,490
Retained earnings	<u>3,802,713</u>	<u>3,693,209</u>
	<u>4,505,203</u>	<u>4,395,699</u>

Approved on behalf of the Board:

R. C. STANLEY, JR., Director.

J. C. L. ALLEN, Director.

\$4,695,038 \$4,587,364

THE SHAREHOLDERS

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the aforementioned financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with the generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GUNN, ROBERTS & CO.,
Chartered Accountants.

Statement of Income and Retained Earnings

Year ended December 31, 1966

	1965 for <u>Comparison</u>
Operating Revenue	
Bullion recovery	\$1,854,688 \$2,061,050
Assistance under the Emergency Gold Mining Assistance Act	<u>480,878</u> <u>421,454</u>
	<u>2,335,566</u> <u>2,482,504</u>
Operating Expenses	
Mine development	188,671 175,894
Mining	1,004,592 967,892
Milling	507,306 571,534
Ore haulage	114,973 106,610
Marketing expenses	12,770 14,105
Mine office and supervision	107,608 98,485
General expenses at the property	181,077 154,618
Administrative and corporate expenses	45,815 60,806
Quebec mining tax	4,300 11,100
	<u>2,167,112</u> <u>2,161,044</u>
Operating profit before providing for depreciation	168,454 321,460
Depreciation	<u>83,000</u> <u>96,000</u>
	<u>85,454</u> <u>225,460</u>
Income received from investments	24,050 10,570
Income before income taxes	109,504 236,030
Income taxes recoverable	— 8,050
Income before undernoted item	109,504 244,080
Add gain on investments sold	— 359,016
Net income for the year	109,504 603,096
Retained earnings at beginning of year	3,693,209 2,915,113
Allowance for decline in value of securities no longer required	— 175,000
Retained earnings at end of year	<u>\$3,802,713</u> <u>\$3,693,209</u>

Statement of Source and Application of Funds

Year ended December 31, 1966

Source of Funds	1965 for Comparison
Net income for the year	\$ 109,504 \$ 603,096
Deduct gain on investments sold	— 359,016
	<u>244,080</u>
Add back depreciation not involving cash outlay	83,000 96,000
Funds provided from operations	192,504 340,080
Sale of shares in associated and other companies	— 805,517
Sale of fixed assets	— 8,861
Other items	— 6,600
	<u>\$ 192,504</u> <u>\$1,161,058</u>
Application of Funds	
Purchase of fixed assets	\$ 11,266 \$ 18,247
Investment in subsidiary and associated companies	109,228 901,007
Special refundable tax	10,168 —
Other items	7,359 —
	<u>138,021</u> <u>919,254</u>
Increase in working capital	54,483 241,804
Working capital at beginning of year	650,972 409,168
Working capital at end of year	<u>\$ 705,455</u> <u>\$ 650,972</u>

Notes to Financial Statements

December 31, 1966

1. Consolidated financial statements have not been prepared to include the accounts of the partly owned subsidiary company, Macwin Mines Limited, since it is engaged solely in exploration and its accounts show neither profit nor loss to December 31, 1966. All its expenditures have been deferred to future operations.
2. The company has guaranteed the bank loan of Wasamac Mines Limited which amounts to \$1,127,000 at December 31, 1966.
3. For comparative purposes, certain 1965 items have been reclassified on the same basis as is used for statement presentation for 1966.

Production Record

Year	Tons Milled	Ore Milled Per Ton at \$ 35.00	Ounces Gold Produced	Actual Mint Returns	Emergency Gold Mining Assistance	Mint Returns Plus Emergency Assistance	Gold Per Oz.	Silver Per Oz.	Operating Cost	Net Profit
1948	204,170	\$ 3.13	15,878	\$ 561,801	—	\$ 561,801	\$35.00	\$.782	—	—
1949	217,304	3.38	18,675	688,765	\$ 54,940	743,705	36.45	.782	\$ 844,019	L-\$124,637
1950	214,610	588	4.22	23,646	902,120	1,083,145	37.90	.805	885,918	166,527
1951	194,543	534	5.24	27,258	1,007,241	211,121	1,218,362	.940	960,682	202,856
1952	205,497	563	7.08	50,546	1,391,540	235,388	1,626,928	.836	1,087,592	430,808
1953	213,928	586	10.06	60,385	2,082,805	204,069	2,286,874	.838	1,229,406	287,391
1954	216,443	593	8.94	54,707	1,865,879	292,594	2,158,473	.829	1,285,153	308,039
1955	212,832	583	8.31	55,597	1,924,364	88,463	2,012,827	.882	1,353,689	247,714
1956	203,756	558	7.68	43,834	1,511,053	320,576	1,831,629	34.41	.893	1,439,057
1957	186,850	512	7.88	40,569	1,365,440	333,474	1,698,914	33.59	.873	1,507,547
1958	215,840	591	7.32	43,256	1,471,361	429,600	1,900,961	33.95	.863	1,659,899
1959	224,472	615	6.26	38,244	1,286,193	343,087	1,629,280	33.56	.883	1,825,364
1960	445,585	1,217	5.44	66,086	2,254,924	343,928	2,598,852	34.05	.892	2,263,185
1961	608,063	1,666	4.32	71,179	2,533,622	309,433	2,843,055	35.51	.949	2,404,274
1962	626,878	1,717	4.30	72,988	2,743,025	152,181	2,895,206	37.47	1.178	2,155,887
1963	575,555	1,577	3.99	62,217	2,356,847	324,000	2,680,847	37.75	1.385	2,175,970
1964	581,266	1,588	4.00	63,113	2,389,914	369,880	2,759,794	37.74	1.413	2,302,674
1965	542,976	1,488	3.70	54,445	2,061,050	421,454	2,482,504	37.72	1.403	2,161,044
1966	485,498	1,330	3.70	48,995	1,854,688	480,878	2,335,566	37.71	1.391	2,167,112
										109,504

* Change over Sladen to Barnat as at August 1st, 1948.
L-Loss.



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